

VZCZCXRO5185
PP RUEHDE RUEHDIR
DE RUEHDO #1104 3301033
ZNY CCCCC ZZH
P 261033Z NOV 07
FM AMEMBASSY DOHA
TO RUEHC/SECSTATE WASHDC PRIORITY 7293
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L DOHA 001104

SIPDIS

SIPDIS

TREASURY FOR DAS SAEED
NEA/ARP FOR ABAGWELL AND SRAMESH

E.O. 12958: DECL: 11/26/2017

TAGS: [EFIN](#) [QA](#)

SUBJECT: QATAR CENTRAL BANK GOVERNOR DOWNPLAYS CURRENCY
REVALUATION TALK

Classified By: Charge d'Affaires Michael A. Ratney, reasons 1.4 (b) and (d).

11. (C) Qatar Central Bank Governor Sheikh Abdulla Bin Saoud Al Thani told Charge and Econoff November 25 that recent press commentary speculating on an imminent move by GCC countries' to depeg or revalue their currencies is overblown. Sheikh Abdulla said Qatar's economy had been well served by its dollar peg (essentially constant at 3.64 riyals to the dollar since 1981) and he did not believe that depegging or a revaluation would serve Qatar's interests at this time. He cited Kuwait's recent move to a basket of currencies as ineffective, noting that it had only complicated Kuwait's budgeting process and monetary policy. He commented that the IMF had for years pressed for a floating exchange rate but had finally agreed that a fixed rate benefited Qatar and the other Gulf states. Sheikh Abdulla believes that a revaluation would do little to lessen Qatar's inflation, which averaged over 14 percent in the first half of 2007. He observed that inflation is being driven by demand in the housing sector and that a currency revaluation would not change this dynamic. Sheikh Abdulla said that if the housing/real estate sector is excluded, Qatar's inflation is only 4.1 percent.

12. (C) Sheikh Abdulla also said a currency revaluation would not/not be on the agenda of the December 3-4 GCC Heads of State Summit in Doha, though the Gulf leaders would discuss the status of the proposed GCC currency union. (Note: This contradicts recent remarks to the press by GCC Secretary General Abderrahman Bin Hamad Al-Atiyyah who said that a proposed revaluation would be on the agenda. It is likely that if Gulf leaders were to discuss a revaluation, they would do so in the context of their perennial discussion of a currency union.) Sheikh Abdulla did not exclude a future decision by Gulf leaders to revalue, though he thought it would be 5 percent or less and serve more as a "signal" of dollar weakness than an attempt to fundamentally alter the GCC states' monetary policies.

13. (C) COMMENT: Sheikh Abdulla was clearly annoyed by the rampant press and investor speculation over GCC currencies and appeared personally opposed to any quick decision to revalue the Qatari riyal. His comments reflect the overall conservatism of Qatari society and the government's caution in changing the basis of its monetary policy. While we cannot rule out a revaluation, it would almost certainly be done in concert with other Gulf states. The dollar's current weakness is clearly a factor in Qatari government decisions. For example, the Qatar Investment Authority (Qatar's state investment arm), has been moving to diversify its holdings in non-dollar based assets. Changing monetary policy would be more complicated, however, as it would involve calculations

affecting Qatar's export of dollar-denominated oil and gas, as well as its budget process based on that trade. For the time being, we believe the Qatar Central Bank will approach any revaluation with caution.

RATNEY